



A REPORT
TO THE
ARIZONA LEGISLATURE

Accounting Services Division

Status Review

Casa Grande Union High School District No. 82

As of April 19, 2005



Debra K. Davenport
Auditor General

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Accounting Services Division Staff

Michael Stelpstra, Manager and Contact Person
mstelpstra@auditorgen.state.az.us

Amanda Winn
Stephanie Honeycutt

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

August 4, 2005

Governing Board
Casa Grande Union High School District No. 82
1362 North Casa Grande Avenue
Casa Grande, AZ 85222

Members of the Board:

In our December 9, 2004, compliance review report, we notified you that the District had not complied with the *Uniform System of Financial Records* (USFR) for the year ended June 30, 2003. The District was given 90 days to implement the recommendations in our report. We subsequently performed a status review of the District's internal controls as of April 19, 2005. Our review covered the deficiencies we had previously communicated to management and deficiencies included in the District's June 30, 2004, audit reports and USFR Compliance Questionnaire, as well as other internal control deficiencies we were aware of at the time of our review. The purpose of our status review was to determine whether the District was in substantial compliance with the USFR as of the date of our review. Our review consisted primarily of inquiries and selective testing of accounting records and control procedures. The review was more limited in scope than would be necessary to express an opinion on the District's internal controls. Accordingly, we do not express an opinion on its internal controls or ensure that all deficiencies were disclosed.

We acknowledge the District's diligence in substantially correcting its deficiencies. As a result, the District has complied with the USFR. However, we must emphasize that a number of deficiencies still exist. Recommendations to correct these deficiencies are described in this report. District management should implement these recommendations to ensure that the District fulfills its responsibility to establish and maintain internal controls and to continue to comply with the USFR. We have communicated specific details for all deficiencies to management for corrections.

Thank you for the assistance and cooperation that your administrators and staff provided during our status review. My staff and I will be pleased to discuss or clarify items in this report.

Sincerely,

Debra K. Davenport
Auditor General

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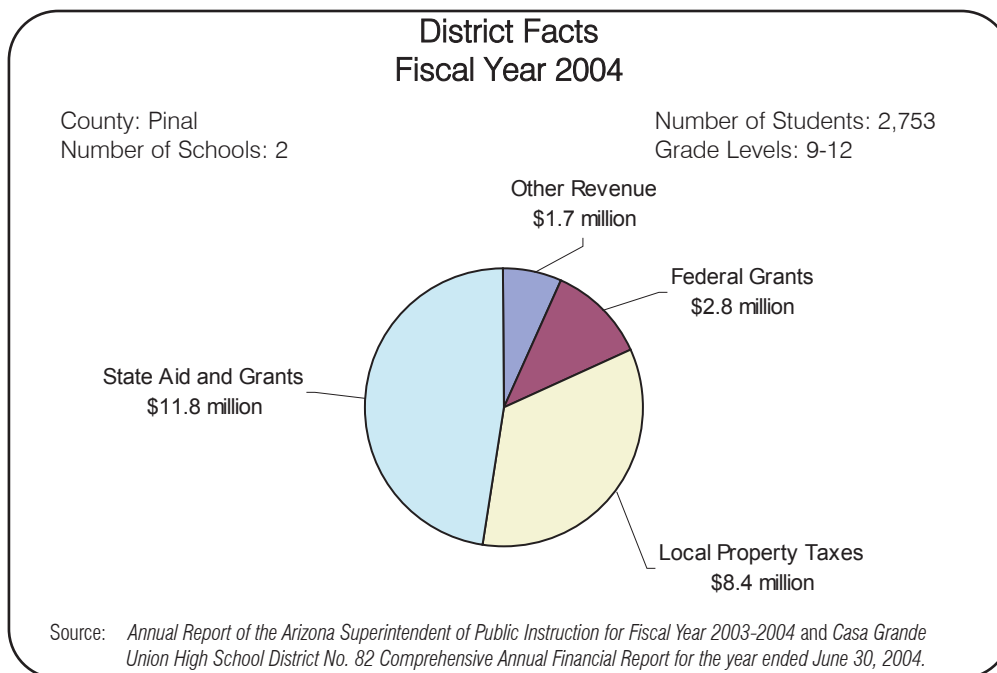
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INTRODUCTION

Casa Grande Union High School District No. 82 is accountable to its students, their parents, and the local community for the quality of education provided. The District is also financially accountable to taxpayers for over \$24 million received in fiscal year 2004 to provide this education.

The District should use effective internal controls to demonstrate responsible stewardship for the tax dollars it receives. These controls are set forth in the *Uniform System of Financial Records* (USFR), a joint publication of the Office of the Auditor General and the Arizona Department of Education. The policies and procedures in the USFR incorporate finance-related state and federal laws and regulations and generally accepted accounting principles applicable to school districts. Districts are legally obligated to comply with USFR requirements, and doing so is good business practice.

As a result of our status review, we determined that the District complied with the USFR. However, we noted certain deficiencies in controls that the District's management should correct to ensure that it fulfills its responsibility to establish and maintain adequate financial stewardship, and to continue to comply with the USFR. Our recommendations are described on the following pages.



The District must follow competitive purchasing requirements

School District Procurement Rules for competitive sealed bidding and USFR guidelines for purchases below the competitive sealed bidding threshold promote open and fair competition among vendors. This helps ensure that districts receive the best possible value for the public monies they spend. However, the District did not

The District may not have received the best value for the monies it spent, as it did not always obtain price quotations when required.

always follow the School District Procurement Rules or the USFR guidelines for purchases. For example, the District did not always have the required written documentation that issuing requests for proposals was more beneficial to the District than issuing invitations for bids. Also, the District did not properly prepare its list of prospective bidders for a request for proposals. Further, the District did not always obtain oral or written price quotations for purchases that required them.

Recommendations

To strengthen controls over competitive purchasing and to comply with School District Procurement Rules and USFR guidelines, the District should establish and follow the policies and procedures listed below:

- Obtain written determinations from the Governing Board that indicate that issuing invitations for bids would not be practicable or advantageous to the District before making purchases by issuing requests for proposals.
- Maintain a properly prepared prospective bidders' list when the invitations for bids or requests for proposals are not advertised.
- Obtain written price quotations from at least three vendors for purchases estimated to cost between \$15,000 and \$33,689, and oral price quotations from at least three vendors for purchases estimated to cost between \$5,000 and \$15,000. Purchases may be single items within the price range or it may be a collection of items that, in the aggregate, are within the price range. If the District cannot obtain three price quotations, it should document the vendors contacted and their reasons for not providing quotations.

School District Procurement Rules describe procedures on how to appropriately use competitive sealed proposals in *Arizona Administrative Code* R7-2-1041.

The District should ensure the accuracy of its accounting records and effectively monitor spending capacity

The District's Governing Board depends on accurate information to fulfill its oversight responsibility. To achieve this objective, management should ensure that its accounting records are accurate and complete. However, the District did not fully accomplish this objective. Specifically, the District did not reconcile its records of revenues, expenditures, and cash balances to the County School Superintendent's (CSS) records in a timely manner or ensure that the CSS reconciled its records of cash balances to the County Treasurer's records in a timely manner. In addition, the District did not always properly classify local revenues or refunds for items returned to vendors.

Further, the District did not ensure that sufficient cash was available in cash-controlled funds before authorizing expenditures from them; as a result, the Food Service Fund had a negative cash balance.

Recommendations

To help ensure that the District's accounting records are accurate and spending capacity is monitored, the District should follow the policies and procedures listed below:

- Work with the CSS to obtain the District's revenue, expenditure, and cash balance reports in a timely manner.
- Reconcile the District's records of cash balances by fund monthly, and its records of revenues, expenditures, and cash balances by fund, program, function, and object code at fiscal year-end to the CSS' records. Prepare written reconciliations and make all necessary corrections.
- Review the CSS' reconciliation of the District's cash balances to the County Treasurer's records at least monthly, resolve any differences noted, and make all necessary corrections. If the CSS does not prepare the reconciliations, the District should reconcile its deposits and cash balances directly to the County Treasurer's records and promptly resolve any differences.
- Classify all financial transactions in accordance with the USFR Chart of Accounts.
- Verify that sufficient cash balances are available before authorizing expenditures from cash-controlled funds.

The District had not reconciled its records with the County School Superintendent's and County Treasurer's records since November 2004.

USFR pages VI-B-8 and 9 include reconciliation procedures.